

Message Text

CONFIDENTIAL

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C O N F I D E N T I A L WARSAW 4581

EXDIS

E.O. 11652: GDS

TAGS: OVIP, PL(GERALD R FORD)

SUBJECT: PRESIDENTIAL VISIT TO POLAND: CIVIL AVIATION

1. IN AN INFORMAL TOUR D'HORIZON LAST WEEK, VICE FOREIGN MINISTER SPASOWSKI AND I AGREED THAT THERE WERE NO SERIOUS DISPUTED ISSUES IN OUR BILATERAL RELATIONS; THE ONLY PROBLEM WE HAD BEEN UNABLE TO SOLVE WAS THE LOT-PAN AM ONE. I ASKED SPASOWSKI WHETHER HE THOUGHT THIS QUESTION MIGHT BE RAISED DURING A POSSIBLE PRESIDENTIAL VISIT TO POLAND. SPASOWSKI POOH-POOHED THIS IDEA, SAYING THAT THE ISSUE WAS TOO TRIVIAL TO BE RAISED AT SUCH A LEVEL.

2. I BELIEVE, HOWEVER, THAT THE SUBJECT WILL ARISE, EVEN IF IT IS ONLY MENTIONED IN PASSING BY THE POLISH SIDE. THE DEPARTMENT MAY WISH TO USE THE FOLLOWING BACKGROUND PAPER ON THE SUBJECT AS IT PREPARES BRIEFING MATERIALS FOR THE VISIT. END CONFIDENTIAL. BEGIN LIMITED OFFICIAL USE.

3. BEGIN TEXT. US-POLISH AIR TRANSPORT AGREEMENT.

4. BACKGROUND. PAN AMERICAN WORLD AIRWAYS AND THE POLISH STATE OWNED AIRLINE LOT (AN IATA MEMBER) FLY BETWEEN NEW YORK AND WARSAW UNDER THE TERMS OF A BILATERAL AIR TRANSPORT AGREEMENT SIGNED BY THE UNITED STATES AND POLAND ON JULY 19, 1972. THE AGREEMENT GRANTS PAN AM THE RIGHT TO FLY AN UNLIMITED NUMBER OF FLIGHTS BETWEEN THE UNITED STATES AND WARSAW, BUT PAN AM IS ALLOWED TO
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SELL TICKETS FOR ZLOTYS ONLY FOR FLIGHTS BETWEEN

WARSAW AND NEW YORK, AND LOT ACTS AS ITS GENERAL SALES AGENT IN POLAND. LOT IS LIMITED TO THREE FLIGHTS PER WEEK IN THE SUMMER SEASON OF 1975 AND TO TWO PER WEEK IN THE WINTER SEASON, BUT ENJOYS THE SAME COMMERCIAL FREEDOM IN THE UNITED STATES AS ANY OTHER FOREIGN FIRM.

5. THE AIR TRANSPORT AGREEMENT WILL EXPIRE ON OCTOBER 31, 1976, UNLESS AN EXTENSION IS RENEGOTIATED BEFORE THAT DATE. RENEGOTIATION IS REQUIRED TO BEGIN BEFORE DECEMBER 31, 1975.

6. A DISPUTE HAS ARISEN BETWEEN THE TWO FIRMS REGARDING THE INTERPRETATION AND IMPLEMENTATION OF THE AGREEMENT REPEATED CONSULTATIONS BETWEEN THE FIRMS HAVE FAILED TO FIND A SOLUTION. GOVERNMENT-TO-GOVERNMENT CONSULTATIONS WHICH WERE HELD IN JUNE AT THE REQUEST OF THE POLES ALSO FAILED TO FIND A SOLUTION.

7. THE POLISH POSITION. THE POLES CLAIM THAT LOT'S OPERATIONS UNDER THE AGREEMENT RESULT IN A NET OUTFLOW OF HARD CURRENCY. THEY BELIEVE THIS SHOULD BE CORRECTED BY GRANTING LOT AN ADDITIONAL LANDING POINT IN THE UNITED STATES, PREFERABLY CHICAGO, AND BY GRANTING ADDITIONAL FREQUENCIES. FURTHERMORE, THEY BELIEVE THAT THE PAN AM SCHEDULE INTRODUCED IN THE SUMMER OF 1975 VIOLATES THE SPIRIT OF THE AGREEMENT BECAUSE IT INCLUDES SEVEN ROUND-TRIP FLIGHTS EACH WEEK AND THEREBY CUTS INTO LOT'S SHARE OF THE MARKET. DURING THE JUNE GOVERNMENT-TO-GOVERNMENT TALKS, LOT REPEATEDLY REQUESTED APPROVAL OF ONE ADDITIONAL FREQUENCY PER WEEK FOR BOTH THE SUMMER 1975 SEASON AND THE WINTER 1975/76 SEASON.

8. THE UNITED STATES POSITION. THE UNITED STATES HAS POINTED OUT THAT POLAND HAS NOT IMPLEMENTED FULLY PARAGRAPH 2 OF THE NOTES RELATING TO THE AGREEMENT WHICH WERE EXCHANGED ON JULY 19, 1972. THIS PARAGRAPH WOULD GRANT PAN AM THE RIGHT TO SELL TICKETS FOR ZLOTYS ON ITS ENTIRE ROUTE SYSTEM. FURTHERMORE, PAN AM HAS COMPLAINED THAT LOT ENGAGES IN VARIOUS UNFAIR PRACTICES IN ORDER TO RESTRICT PAN AM'S TICKET SALES IN

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POLAND. WE HAVE ALSO POINTED OUT TO THE POLES THAT LOT CARRIED TWICE AS MANY PASSENGERS AS PAN AM BETWEEN THE UNITED STATES AND WARSAW DURING 1974 AND EARNED NEARLY THREE MILLION DOLLARS MORE THAN PAN AM..

9. WE HAVE INFORMED THE POLES THAT WE ARE UNABLE TO CONSIDER A GRANT OF NEW LANDING RIGHTS TO LOT AT THIS TIME, AND THAT, IN THE ABSENCE OF FULL IMPLEMENTATION OF

LOT'S OBLIGATIONS UNDER PARAGRAPH 2 OF THE EXCHANGE OF NOTES, WE WILL BE UNABLE TO CONSIDER POLISH REQUESTS FOR ADDITIONAL FREQUENCIES OR EXTRA SECTIONS.

10. AT THE END OF THE JUNE GOVERNEMENTAL CONSULTATIONS, THE POLES REJECTED AN INTERIM COMPROMISE PROPOSAL WHEREBY LOT WOULD BE PERMITTED TO OPERATE AN ADDITIONAL FREQUENCY DURING THE SUMMER 1975 AND WINTER 1975/76 TRAFFIC SEASONS IN EXCHANGE FOR A POLISH COMMITMENT TO PERMIT LOT TO SELL PAN AM TICKETS FOR ZLOTYS FOR FLIGHTS BETWEEN WARSAW AND CHICAGO ON WHICH NO MORE THAN ONE STOPOVER IS MADE. WE RECOMMEND THAT THE UNITED STATES NOT INITIATE ANY FURTHER ACTION, BUT SIMPLY WAIT FOR THE START OF RENEGOTIATION OF THE AGREEMENT. END TEXT.
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DAVIES

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